

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 2002-394-C - ORDER NO. 2003-143
MARCH 17, 2003

IN RE: Joint Application of Matrix Telecom, Inc. and)	ORDER GRANTING
International Exchange Communications, Inc.)	MOTION FOR
for Approval of the Transfer of Certain Assets)	EXPEDITED REVIEW
and Related Transactions and a waiver of)	AND TRANSFER OF
Applicable Anti-Slamming Regulations.)	ASSETS AND
)	CUSTOMER BASE

This matter comes before the Public Service Commission of South Carolina ("Commission") pursuant to a Joint Application filed by Matrix Telecom, Inc. ("Matrix") and International Exchange Communications, Inc. ("IEC") to transfer assets and customer base from IEC to Matrix and for approval of a waiver of any applicable anti-slamming regulations in connection with the transfer of customers from IEC to Matrix. The Application was filed pursuant to S.C. Code Ann. Section 58-9-280(B) (Supp. 2002) and the applicable regulations of the Commission. Subsequent to the filing of the Application, Matrix requested expedited review and disposition of the Application.

Matrix is a Texas corporation authorized to do business in the State of South Carolina. Matrix was granted a certificate of public convenience and necessity by this Commission on December 19, 1990, in Order Number 1990-1176 and its tariff was subsequently approved. Matrix has done business in South Carolina since that time. IEC is a Delaware Corporation with its principal offices located in California. IEC is also authorized to do business in South Carolina and has been granted a certificate of public

convenience and necessity to provide intrastate interexchange telecommunications services in South Carolina.

By letter dated December 19, 2002, the Commission's Executive Director instructed the Applicant to publish a prepared Notice of Filing in newspapers of general circulation in the areas affected by the Application. The purpose of the Notice of Filing was to provide notice of the Application to any interested parties and to advise interested parties of the manner and time in which to file pleadings to participate in the docket. The Applicant filed Affidavits of Publication as proof that it had complied with the instructions of the Executive Director.

MOTION FOR EXPEDITED REVIEW

Matrix and IEC filed a Motion for Expedited Review of their Application on or about February 27, 2003. In furtherance of the request for expedited review, Matrix filed verified testimony of Greg Taylor in support of the Joint Application. After Matrix and IEC filed their Motion for Expedited Review with the accompanying verified testimony, the Commission Staff brought the matter to the Commission for consideration.

Upon consideration of Matrix and IEC's request for expedited review, the Commission finds that expedited review should be granted. By its request, Matrix and IEC waive their right to a formal hearing. The Commission finds that notice of the Application was properly afforded to the public. The Commission finds that procedural due process was afforded in this matter and further finds that the Applicants make a knowing waiver of a formal hearing. Therefore, the Commission will consider the Application in the context of its regularly scheduled weekly meeting, with court reporter

present, and for purposes of the expedited review, the Commission will deem the examination of the Application and verified testimony during the course of the Commission's regularly scheduled meeting with court reporter present at a hearing on this matter.

EXAMINATION OF THE APPLICATION AND VERIFIED TESTIMONY

According to the Application, Matrix and IEC are requesting authority from the Commission to transfer certain assets and related transactions and a waiver of applicable anti-slamming regulations. Matrix filed the verified testimony of Greg Taylor, who is Vice President and General Counsel for the Company.

Matrix is a Texas corporation and is headquartered in Oklahoma City, Oklahoma. It is authorized as a foreign corporation to do business in the State of South Carolina and already holds a certificate of public convenience and necessity from this Commission to provide intrastate interexchange carrier services in the State of South Carolina.

IEC is a Delaware corporation with its principal offices located in California. IEC is also a licensed provider of interexchange telecommunications services in South Carolina.

As Vice President and General Counsel, Mr. Taylor oversees all aspects of Matrix's legal and regulatory affairs, which includes negotiation and documentation of equity and debt financing, contract negotiations and enforcement; including interconnection agreements with incumbent carriers and other telecommunications providers. He is additionally responsible for compliance with all federal, state and local laws and regulations. Mr. Taylor presented testimony regarding the proposed purchase

by Matrix of IEC assets as well as the affect of the proposed transaction on current IEC customers in South Carolina.

Regarding the sale and transfer of assets and services, IEC entered into a Management Services Agreement (“MSA”) with Matrix on December 29, 2000 pursuant to which Matrix has been providing telecommunications services to IEC’s customer base under IEC’s supervision. The MSA reflected, among other things, that IEC and Matrix desired to negotiate and enter into an Asset Purchase Agreement under which Matrix would buy the assets they were to manage pursuant to the MSA. On January 4, 2001, IEC filed a voluntary petition under Chapter 11 of the U.S. Bankruptcy Code in the U.S. Bankruptcy Court, Northern District of California, San Francisco Division. At that time, IEC ceased operations. Since the date of the bankruptcy petition, IEC has been attempting to liquidate its assets. Matrix and IEC then entered into a Settlement Agreement under which Matrix will pay IEC \$600,000.00 in exchange for the assets listed in the MSA (under which Matrix is currently providing service to IEC’s customers in South Carolina). The Federal Bankruptcy Court has issued an Order approving the Settlement Agreement providing that the transfer of ownership of assets of IEC to Matrix will take place upon the receipt of the requisite state and federal regulatory approvals.

Mr. Taylor testified that the transfer of ownership will be transparent to customers of IEC and will not in any way inconvenience or confuse IEC’s customers in South Carolina. Included in the proposed sale of assets are IEC’s name, logo’s, trade or service marks which have been associated with IEC’s customer base and which Matrix intends to continue to use to service current customers of IEC. Further, IEC’s customers are

currently being billed for IEC's services by their LECs and these billing arrangements will continue. Mr. Taylor additionally testified that the current customer rates, terms and conditions of service will not change from those currently in place. Matrix intends to continue to provide the same level of service to IEC's customers as it has been providing since entering into the MSA. Mr. Taylor states that customer notification of this transfer will be made to all of IEC's customers on or as soon as possible after the Settlement effective date.

Finally, Mr. Taylor testifies that Matrix will make every effort to comply with the state's anti-slamming regulations and to reconcile them with the Order of the Federal Bankruptcy Court. Nonetheless, Matrix has requested a waiver from any provisions of the anti-slamming regulations which may be in violation of the Bankruptcy Court's Order. This request is based on the desire of Matrix to provide a seamless transition of IEC's customers in South Carolina to Matrix. Matrix believes that the requested transfer of assets and related transactions and a waiver of the anti-slamming regulations are in the public interest.

Upon review and consideration of the Application, the verified testimony of Mr. Taylor, and the applicable law, the Commission hereby issues its findings of fact and conclusions of law:

FINDINGS OF FACT

1. Matrix is a corporation organized under the laws of the State of Texas. Matrix was granted a Certificate of Public Convenience and Necessity to provide

intrastate resold telecommunications services within the State of South Carolina on December 19, 1990.

2. IEC is a corporation organized under the laws of the State of Delaware with its principle place of business in California and has been granted a Certificate of Public Convenience and Necessity to provide intrastate interexchange telephone services in South Carolina.

3. Under the terms of a Management Service Agreement entered into by Matrix and IEC on December 29, 2000, Matrix has been providing telecommunications service to IEC's customer base under IEC's supervision.

4. On January 4, 2001 IEC filed a Chapter 11 Bankruptcy Petition in the U.S. Bankruptcy Court for the Northern District of California, San Francisco Division. On that date, IEC ceased operations.

5. Under the terms of a settlement Agreement reached between Matrix and IEC, and filed with the Bankruptcy Court on October 17, 2002, Matrix has agreed to pay \$600,000.00 to IEC in exchange for certain IEC assets, to include IEC's customer base.

6. The Commission finds that Matrix has and intends to continue to comply with all rate designations, regulatory schemes, and tariff restrictions and requirements as previously ordered by this Commission in Order No. 1990-1176.

7. The Commission finds that Matrix will support universally available telephone service at affordable rates.

8. The Commission finds that Matrix has and will continue to provide services which will meet the service standards of the Commission.

9. The Commission finds that the provision of intrastate interexchange telecommunications service by Matrix "does not otherwise adversely impact the public interest."

CONCLUSIONS OF LAW

1. Based on the above findings of fact, the Commission approves the transfer of assets and related transactions between IEC and Matrix. The terms of the Settlement Agreement between Matrix and the IEC are approved, and adopted as a part of this Order.

2. Matrix's request for approval of waiver of anti-slamming regulations is granted in part. The Commission approves the waiver of such regulations as they may apply to any current customers of IEC which are or will be transferred under the terms of the Settlement agreement between Matrix and IEC on the basis that such may be necessitated by the Order of the Federal Bankruptcy Court and in order to provide a seamless transfer of the customer base from IEC to Matrix. Waiver of anti-slamming regulations is not approved by this Commission for any current or future customers of Matrix which are not affected by the pending purchase from IEC.

3. Matrix shall resell or utilize the services or facilities of only those companies authorized to provide telecommunications services in South Carolina by this Commission.

4. Matrix shall continue to conduct its business in compliance with Commission decisions and Orders, both past and future.

6. Matrix shall continue to file annual financial information in the form of annual reports and gross receipt reports as required by the Commission. The annual report and the gross receipt report will necessitate the filing of intrastate information. Therefore, Matrix shall keep such financial records on an intrastate basis as needed to comply with the annual report and gross receipt filings. The form the Company shall use to file annual financial information with the Commission can be found at the Commission's website at www.psc.state.sc.us/forms/default.htm.

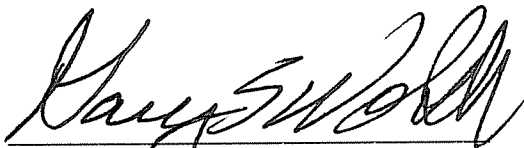
7. This Order shall remain in full force and effect until further Order of the Commission.

BY ORDER OF THE COMMISSION:



Mignon L. Clyburn, Chairman

ATTEST:



Gary E. Walsh, Executive Director

(SEAL)